

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Fowlerville	County Livingston
Fiscal Year End June 30, 2006	Opinion Date October 6, 2006	Date Audit Report Submitted to State December 21, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

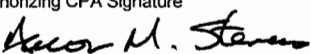
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517)351-6836	
Street Address 3511 Coolidge Rd., Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

**Village of Fowlerville
Livingston County, Michigan**

FINANCIAL STATEMENTS

June 30, 2006

Village of Fowlerville
Livingston County, Michigan

June 30, 2006

VILLAGE COUNCIL AND ADMINISTRATION

Mr. Wayne Copeland	President
Mr. Mike Stock	President Pro-tem
Ms. Marjorie Carlon	Council Member
Mr. Mick Longstreet	Council Member
Ms. Mary Helfmann	Council Member
Mr. Larry Clark	Council Member
Mr. Douglas Helzerman	Council Member
Mr. Joseph Merucci	Village Manager
Ms. Sherry Prevo	Treasurer
Ms. Doreen Murphy	Clerk

Village of Fowlerville

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Fowlerville
Fowlerville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006 on our consideration of the Village of Fowlerville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fowlerville's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 6, 2006

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

The following is a discussion and analysis of the Village of Fowlerville's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2006. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the Village of Fowlerville's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets or the amount assets exceeded liabilities were \$10,250,148 at the close of 2006 (excluding component units).
- Governmental activities net assets were \$2,717,826.
- Business-type activity net assets were \$7,532,322.
- Component unit net assets were \$(758,232).

Fund Level:

- At the close of the fiscal year, the Village of Fowlerville's governmental funds reported a combined ending fund balance of \$1,226,242 with \$76,129 being reserved for specific purposes.
- The General Fund's fund balance increased by \$80,462. This increase in fund balance was due to conservative budgeting, which ensured revenues exceeded expenditures.

Capital and Long-term Debt Activities:

- The total long-term debt for the governmental activities of the primary government was \$78,750.
- The total long-term debt for the business-type activities of the primary government was \$3,239,948.
- The Village had two bond issues during the year: 1) \$1,430,000 in Local Development Finance Authority Bonds and 2) \$3,200,000 in Sewer Improvement Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the Village of Fowlerville consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information*, such as budget to actual comparisons for the General Fund, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds.

Government-wide Financial Statements (Reporting the Village of Fowlerville as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village of Fowlerville as a whole and about its activities. Their purpose is to assist in answering the question, is the Village of Fowlerville, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village of Fowlerville's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village of Fowlerville's financial position is improving or deteriorating.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

The Statement of Activities (page 2) presents information showing how the Village of Fowlerville's net assets changed during fiscal year 2006. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the Village of Fowlerville's basic services are reported under this category. Taxes, charges for services, and intergovernmental revenue primarily fund these services. Most of the Village of Fowlerville's general government departments such as the police department, the Village Council, public works, the Village's share of fire costs, and recreation programs are reported under these activities. This also includes activities such as the Major and Local street maintenance, the cemetery, and the various refuse services.
- **Business-type Activities** - These activities operate like private businesses. The Village of Fowlerville charges fees to recover the cost of the services provided. The Village of Fowlerville Water & Sewer System services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the Village of Fowlerville's Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the Village of Fowlerville. Organizations included as component units are the Downtown Development Authority and the Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

Fund Financial Statements (Reporting the Village of Fowlerville Major Funds)

The fund financial statements, which begin on page 3, provide information on the Village of Fowlerville's significant (major) funds and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village of Fowlerville uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Motor Pool) as well as enterprise funds such as the Water Fund.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. GASB Statement No. 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues, or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Fowlerville include the General Fund, the Sewer Fund, and the Water Fund. All other funds are classified as nonmajor funds and are reported in aggregate. The Village of Fowlerville includes detailed information on its nonmajor funds in other supplementary sections of this report.

The Village of Fowlerville's funds are divided into two categories - governmental and proprietary, and use different accounting approaches:

- **Governmental Funds** - Most of the Village of Fowlerville's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village of Fowlerville's programs. The *General Fund* is a Governmental Fund.
- **Proprietary Funds** - Services for which the Village of Fowlerville charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the Village of Fowlerville's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 13 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together by fund type and are presented in aggregate single columns in the appropriate basic financial statements.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville AS A WHOLE

As previously stated, the Village of Fowlerville's combined net assets were \$10,250,148 at the end of this fiscal year. The net assets of the governmental activities were \$2,717,826 and the business-type activities were \$7,532,322.

Net Assets as of June 30, 2006 and 2005

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 1,749,943	\$ 1,548,624	\$ 1,752,661	\$ 1,564,039	\$ 3,502,604	\$ 3,112,663
Capital Assets	<u>1,490,761</u>	<u>1,577,745</u>	<u>9,061,125</u>	<u>5,706,723</u>	<u>10,551,886</u>	<u>7,284,468</u>
Total Assets	<u>\$ 3,240,704</u>	<u>\$ 3,126,369</u>	<u>\$10,813,786</u>	<u>\$ 7,270,762</u>	<u>\$14,054,490</u>	<u>\$10,397,131</u>
Current Liabilities	\$ 417,413	\$ 418,188	\$ 147,744	\$ 36,753	\$ 565,157	\$ 454,941
Noncurrent Liabilities	<u>105,465</u>	<u>170,016</u>	<u>3,133,720</u>	<u>43,980</u>	<u>3,239,185</u>	<u>213,996</u>
Total Liabilities	<u>\$ 522,878</u>	<u>\$ 588,204</u>	<u>\$ 3,281,464</u>	<u>\$ 80,733</u>	<u>\$ 3,804,342</u>	<u>\$ 668,937</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 1,412,011	\$ (20,404)	\$ 5,821,177	\$ 5,653,926	\$ 7,233,188	\$ 5,633,522
Restricted	245,119	267,233	-	22,131	245,119	289,364
Unrestricted	<u>1,060,696</u>	<u>2,291,336</u>	<u>1,711,145</u>	<u>1,513,972</u>	<u>2,771,841</u>	<u>3,805,308</u>
Total Net Assets	<u>\$ 2,717,826</u>	<u>\$ 2,538,165</u>	<u>\$ 7,532,322</u>	<u>\$ 7,190,029</u>	<u>\$10,250,148</u>	<u>\$ 9,728,194</u>

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village of Fowlerville's net assets changed during the fiscal year:

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program Revenues						
Charges for						
Services	\$ 329,780	\$ 210,603	\$ 1,117,451	\$ 988,219	\$ 1,447,231	\$ 1,198,822
Operating Grants						
and Contributions	340,907	333,160	-	-	340,907	333,160
Capital Grants						
and Contributions	320,000	557,006	-	-	320,000	557,006
General Revenues						
Property Taxes	934,245	888,381	-	-	934,245	888,381
State Shared Rev.	296,709	300,048	-	-	296,709	300,048
Investment Earnings	50,069	22,584	56,041	32,793	106,110	55,377
Miscellaneous	30,042	58,809	-	-	30,042	58,809
Transfers	<u>90,000</u>	<u>805</u>	<u>-</u>	<u>(805)</u>	<u>90,000</u>	<u>-0-</u>
Total Revenues	2,391,752	2,371,396	1,173,492	745,368	3,565,244	3,391,603
Expenses						
General Government	586,737	421,949	-	-	586,737	421,949
Public Safety	509,346	1,734,836	-	-	509,346	1,734,836
Public Works	406,044	714,949	-	-	406,044	714,949
Community and						
Economic Develop.	20,930	17,356	-	-	20,930	17,356
Recreation and						
Cultural	57,557	51,421	-	-	57,557	51,421
Other	302,003	205,984	-	-	302,003	205,984
Interest on						
long-term debt	10,154	36,106	-	-	10,154	36,106
Sewer	-	-	508,960	290,840	508,960	290,840
Water	<u>-</u>	<u>-</u>	<u>322,239</u>	<u>391,881</u>	<u>322,239</u>	<u>391,881</u>
Total Expenses	1,892,771	3,182,601	831,199	682,721	2,723,970	3,865,322
Increase (Decrease)						
in Net Assets	498,981	(811,205)	342,293	337,486	841,274	(437,719)
Restated						
Net Assets -						
Beginning	<u>2,218,845</u>	<u>3,349,370</u>	<u>7,190,029</u>	<u>6,852,543</u>	<u>9,408,874</u>	<u>10,201,913</u>
Net Assets -						
Ending	<u>\$ 2,717,826</u>	<u>\$ 2,538,165</u>	<u>\$ 7,532,322</u>	<u>\$ 7,190,029</u>	<u>\$10,250,148</u>	<u>\$ 9,728,194</u>

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Governmental Activities:

The result of fiscal year 2006 governmental activity was an increase of \$498,981 in net assets to \$2,717,826. Of the total governmental activities' net assets, \$1,412,011 is invested in capital assets less related debt and \$245,119 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the Village of Fowlerville's government. The balance of \$1,060,696 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories in governmental activities were property taxes at 39%; operating grants and contributions at 14%; and charges for services at 14%. The Village of Fowlerville levies a property tax millage for general government operations at 8.5048 mills, which is not assigned to any specific service or activity. The Village also levies .4698 mills of special voted millage for mosquito abatement, 2.0409 mills for refuse services, including weekly garbage pick-up, composting, chipping, and leaf pick-up. Lastly, the Village levies 3.4017 mills for street maintenance and construction and .6802 mills for cemetery maintenance.

Expenses:

General government is the largest governmental activity, expending \$586,737 of the approximately \$1.9 million total expenses. This activity includes the annual costs for the Village Council, Village Manager, Financial administrator, Cemetery operations, and the maintenance of the Village Hall and grounds.

Business-type Activities:

Net assets in the business-type activities increased by \$342,293 during the fiscal year 2006. This was mainly due to additions to capital assets of 3,531,615, which includes a new Waste Water Treatment Plant and new debt issued in the amount of \$3,200,000.

Of the total \$7,532,322 of net assets in the business-type activities, \$1,711,145 is reported as unrestricted and \$5,821,177 is invested in capital assets (net of related debt).

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville MAJOR AND NONMAJOR FUNDS

As the Village of Fowlerville completed fiscal year 2006, its governmental funds reported *combined* fund balances of \$1,226,242. The net changes are summarized in the following chart:

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Nonmajor Governmental Funds
Restated Fund Balance 6/30/05	\$ 522,719	\$ 54,190	\$ 209,767	\$ 209,003	\$ 55,474
Fund Balance 6/30/06	\$ 603,181	\$ 70,180	\$ 174,939	\$ 311,128	\$ 66,814
Net Change	\$ 80,462	\$ 15,990	\$ (34,828)	\$ 102,125	\$ 11,340

The General Fund balance increased by \$80,462. A prior period adjustment was recorded to reflect corrections of \$22,207 for contracts payable and \$11,079 for deferred revenue that were overstated in the prior year. This increase is reflective of conservative budgeting to ensure revenues exceeded expenditures.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

General Fund:

The General Fund is the chief operating fund of the Village of Fowlerville. Unless otherwise required by statute, contractual agreement, or Board policy all Village of Fowlerville revenue and expenditures are recorded in the General Fund. As of June 30, 2006, the General Fund reported a fund balance of \$603,181. This amount is an increase of \$113,748 from the fund balance of \$489,433 reported as of June 30, 2005.

The General Fund fiscal year 2006 revenue exceeded expenditures by \$48,539; however, the net other financing sources of the General Fund of \$31,923 increased the fund balance by \$80,462. This amount was due to the sale of cemetery lots and perpetual care charges.

General Fund Budgetary Highlights:

The Village of Fowlerville's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues totaled \$1,491,269; \$14,734 above the final amended budget. Although the bottom line actual varied somewhat from the final amended budget, there were not many wide variations in individual revenue accounts. The most significant variation was the other revenue, which had a positive variation of \$7,981. This was caused by an increase in site plan activity resulting in additional fees of \$4,600. The additional revenue was due to an increase in reimbursement for school police officer.

The Village of Fowlerville's expenditures totaled \$1,442,730; \$76,058 below the final amended budget. The most significant variation was in the area of other expenditures, which had a positive variation of \$18,697.

Major Street Fund:

The Major Street Fund accounts for all the financial resources to maintain major streets within the Village. As of June 30, 2006, the Major Street Fund reported a fund balance of \$70,180. This amount is an increase of \$15,990 from the fund balance of \$54,190 reported in as of June 30, 2005.

The Major Street Fund fiscal year 2006 expenditures exceeded revenues by \$45,072; however, the net other financing sources of \$61,062 increased the fund balance by \$15,990. This amount was due to transfers in from other funds.

Local Street Fund:

The Local Street Fund accounts for all the financial resources to maintain local streets within the Village. As of June 30, 2006, the Local Street Fund reported a fund balance of \$174,939. This amount is a decrease of \$34,828 from the fund balance of \$209,767 reported in as of June 30, 2005.

The Local Street Fund fiscal year 2006 expenditures exceeded revenues by \$124,828. However, when that amount is added to the net other financing sources of \$90,000, the net decrease in fund balance was \$34,828.

Municipal Street Fund:

The Municipal Street Fund accounts for all the financial resources to maintain municipal streets within the Village. As of June 30, 2006, the Municipal Street Fund reported a fund balance of \$311,128. This amount is an increase of \$102,125 from the fund balance of \$209,003 reported in as of June 30, 2005.

The Municipal Street Fund fiscal year 2006 revenues exceeded expenditures by \$202,125. However, when that amount is added to the net other financing uses of \$100,000, the net increase in fund balance was \$102,125.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Water & Sewer Funds:

The Water Fund had an increase in its net assets of \$103,208. Operating revenues showed an increase of \$50,340, while total operating expenses declined by \$67,991. In 2006 the Water Fund had total operating expenses of \$319,186 and total operating revenues of \$407,193 for an operating income of \$88,007. This was due to a full year of increased water rates, which were increased during the 2004/2005 fiscal year.

The Sewer Fund experienced an increase in net assets totaling \$239,085 in 2006. Operating revenues increased by \$78,892 and operating expenses increased by \$147,602. This was due to increased rates and expenditures for the Waste Water Treatment Plant project, and \$85,000 bond debt and \$20,000 in start up costs. The balance of \$30,000 was a transfer to the Local Street Fund for shared costs on street projects. In 2006, the Sewer Fund had total operating expenses of \$423,833 and total operating revenues of \$710,258 for operating income of \$286,425.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2006, the Village of Fowlerville had invested \$1,490,761 and \$9,061,125 (net of accumulated depreciation) for governmental and business-type capital assets (including construction in progress), respectively. Additions to the governmental activities include additions to infrastructure in the amount of \$359,835 for construction on S. Grand Street. Significant additions to the business-type capital assets included a Waste Water Treatment Plant in the Sewer Fund. Accumulated depreciation was \$1,408,643 for the governmental activities and \$2,527,207 for the business-type activities. Depreciation charges for the fiscal year totaled \$184,954 for the governmental activities and \$177,213 for the business-type activities. For more detailed information related to capital assets, refer to pages 21-23 of the financial statements.

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Land	\$ 149,932	\$ 529,507	\$ 679,439
Land Improvements, net	50,414	-	50,414
Construction in progress	-	3,513,667	3,513,667
Buildings, net	583,610	63,031	646,641
Vehicles, net	217,625	38,259	255,884
Furniture/Other, net	131,344	83,732	215,076
Infrastructure, net	357,836	-	357,836
Water System, net	-	1,705,001	1,705,001
Sewer System, net	-	3,127,928	3,127,928
Capital assets, net	<u>\$ 1,490,761</u>	<u>\$ 9,061,125</u>	<u>\$ 10,551,886</u>

Long-term Debt - As of June 30, 2006, the Village of Fowlerville had \$164,132 in bonds and accumulated vacation and sick time outstanding for the governmental activities. Of this amount, \$78,750 is bonds and \$85,382 is compensated absences. This level of net obligation is \$94,305 less than the obligation recorded as of June 30, 2005.

The business-type activities showed total outstanding of \$3,247,546 as of June 30, 2006. The debt is comprised of bonds in the amount of \$3,200,000, a land contract of \$39,948, and compensated absences of \$7,598. The level of net obligation \$3,186,981 higher than the obligation recorded as of June 30, 2005 due to the issuance of Sewer Improvement Bonds in the amount of \$3,200,000.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Outstanding Debt as of June 30, 2006:

Primary Government	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
Governmental Activities				
Bonds	\$ 132,500	\$ -	\$ 53,750	\$ 78,750
Leases Payable	37,836	-	37,836	-0-
Compensated absences	<u>88,101</u>	<u>-</u>	<u>2,719</u>	<u>85,382</u>
Total Governmental Activities	258,437	-0-	94,305	164,132
Business Type Activities				
Water and Sewer Bonds	-0-	3,200,000	-	3,200,000
Land Contract Payable	52,797	-	12,849	39,948
Compensated absences	<u>7,768</u>	<u>-</u>	<u>170</u>	<u>7,598</u>
Total Business Type Activities	<u>60,565</u>	<u>3,200,000</u>	<u>13,019</u>	<u>3,247,546</u>
Total Primary Government	<u>\$ 319,002</u>	<u>\$ 3,200,000</u>	<u>\$ 107,324</u>	<u>\$ 3,411,678</u>

Limitations on Debt:

State statute limits the Village of Fowlerville's debt obligations to ten (10) percent of the current state equalized value (SEV). The Village of Fowlerville's SEV, as of June 30, 2006, was \$137,654,430; therefore the Village of Fowlerville's debt limitation was \$13,765,443. The Village of Fowlerville remains well below its legal debt limit.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of Fowlerville.

Waste Water Treatment Plant construction project was nearing completion as of June 30, 2006. The costs to run the plant and the debt payments will make it necessary to review sewer rates in the near future to ensure proper ration of revenue to actual expenditures.

The Village was in the process of undertaking a Water Rate Study at the close of the fiscal year to consider water rates and to see if any increases were needed.

The Village has undertaken an aggressive road reconstruction project throughout the Village. Significant amounts of the street and general funds will be required to complete this project.

The Livingston County Economic Development Council and the Village of Fowlerville continue to recruit new businesses for the industrial parks and industrial properties in the Village to bring additional family-sustaining jobs to our community.

CONTACTING THE VILLAGE OF FOWLerville

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village of Fowlerville's finances and to demonstrate the Village of Fowlerville's accountability for the money it receives. If there are questions about this report or a need for additional information contact the Village Manager's Office at (517) 223-3771.

BASIC FINANCIAL STATEMENTS

Village of Fowlerville

STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,247,571	\$ 1,439,436	\$ 2,687,007	\$ 1,099,800
Receivables	21,583	318,969	340,552	-
Due from other governmental units	455,811	-	455,811	243,767
Inventory	-	19,234	19,234	-
Current portion of loans receivable	-	-	-0-	2,906
Internal balances	24,978	(24,978)	-0-	-
Total current assets	1,749,943	1,752,661	3,502,604	1,346,473
Noncurrent assets				
Capital assets not being depreciated	149,932	4,043,174	4,193,106	-
Capital assets, net of accumulated depreciated	1,340,829	5,017,951	6,358,780	1,380,569
Noncurrent portion of loans receivable	-	-	-0-	20,367
Total noncurrent assets	1,490,761	9,061,125	10,551,886	1,400,936
TOTAL ASSETS	3,240,704	10,813,786	14,054,490	2,747,409
LIABILITIES				
Accounts payable	271,501	14,194	285,695	66,059
Accrued wages	37,012	6,132	43,144	-
Other accrued liabilities	48,548	-	48,548	38,758
Due to other governments - local	-	2,206	2,206	-
Accrued interest payable	1,685	11,386	13,071	35,824
Current portion of compensated absences	4,917	116	5,033	-
Current portion of long-term debt	53,750	113,710	167,460	220,000
Total current liabilities	417,413	147,744	565,157	360,641
Noncurrent liabilities				
Noncurrent portion of compensated absences	80,465	7,482	87,947	-
Noncurrent portion of long-term debt	25,000	3,126,238	3,151,238	3,145,000
Total noncurrent liabilities	105,465	3,133,720	3,239,185	3,145,000
TOTAL LIABILITIES	522,878	3,281,464	3,804,342	3,505,641
NET ASSETS				
Invested in capital assets, net of related debt	1,412,011	5,821,177	7,233,188	(260,017)
Restricted for:				
Streets	245,119	-	245,119	-
Unrestricted	1,060,696	1,711,145	2,771,841	(498,215)
TOTAL NET ASSETS	\$ 2,717,826	\$ 7,532,322	\$ 10,250,148	\$ (758,232)

See accompanying notes to financial statements.

Village of Fowlerville
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities								
General government	\$ 586,737	\$ 206,906	\$ 86,099	\$ -	\$ (293,732)	\$ -	\$ (293,732)	\$ -
Public safety	509,346	8,065	44,930	-	(456,351)	-	(456,351)	-
Public works	406,044	114,809	200,924	320,000	229,689	-	229,689	-
Health and welfare	-	-	7,500	-	7,500	-	7,500	-
Recreation and cultural	57,557	-	1,454	-	(56,103)	-	(56,103)	-
Community and economic development	20,930	-	-	-	(20,930)	-	(20,930)	-
Other	302,003	-	-	-	(302,003)	-	(302,003)	-
Interest on long-term debt	10,154	-	-	-	(10,154)	-	(10,154)	-
Total governmental activities	1,892,771	329,780	340,907	320,000	(902,084)	-0-	(902,084)	-0-
Business-type activities:								
Sewer	508,960	710,258	-	-	-	201,298	201,298	-
Water	322,239	407,193	-	-	-	84,954	84,954	-
Total business-type activities	831,199	1,117,451	-0-	-0-	-0-	286,252	286,252	-0-
Total primary government	<u>\$ 2,723,970</u>	<u>\$ 1,447,231</u>	<u>\$ 340,907</u>	<u>\$ 320,000</u>	(902,084)	286,252	(615,832)	-0-
Component units:								
Downtown Development Authority	\$ 249,077	\$ 543	\$ -	\$ -	-	-	-0-	(248,534)
Local Development Finance Authority	445,184	-	-	868,233	-	-	-0-	423,049
Total component units	<u>\$ 694,261</u>	<u>\$ 543</u>	<u>\$ -0-</u>	<u>\$ 868,233</u>	-0-	-0-	-0-	174,515
General revenues:								
Property taxes					934,245	-	934,245	791,773
State shared revenue					296,709	-	296,709	-
Investment earnings					50,069	56,041	106,110	40,579
Miscellaneous					30,042	-	30,042	-
Transfers					90,000	-	90,000	-
Total general revenues and transfers					1,401,065	56,041	1,457,106	832,352
Change in net assets					498,981	342,293	841,274	1,006,867
Restated net assets, beginning of the year					2,218,845	7,190,029	9,408,874	(1,765,099)
Net assets, end of the year					<u>\$ 2,717,826</u>	<u>\$ 7,532,322</u>	<u>\$ 10,250,148</u>	<u>\$ (758,232)</u>

See accompanying notes to financial statements.

Village of Fowlerville

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

	General	Major Street	Local Street
ASSETS			
Cash and cash equivalents	\$ 590,679	\$ 28,919	\$ 71,220
Accounts receivable	21,583	-	-
Due from other governmental units			
Federal/State	95,926	197,887	161,998
Due from other funds	15,170	9,808	-
TOTAL ASSETS	\$ 723,358	\$ 236,614	\$ 233,218
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Account payable	\$ 36,085	\$ 165,742	\$ 57,831
Accrued wages	36,535	-	-
Other accrued liabilities	47,408	692	448
Deferred revenue	149	-	-
TOTAL LIABILITIES	120,177	166,434	58,279
FUND BALANCES			
Reserved for:			
Refuse collection	11,093	-	-
Cemetery maintenance	10,598	-	-
Debt service	-	-	-
Capital projects	-	-	-
Unreserved			
Undesignated, reported in:			
General fund	581,490	-	-
Special revenue funds	-	70,180	174,939
TOTAL FUND BALANCES	603,181	70,180	174,939
TOTAL LIABILITIES AND FUND BALANCES	\$ 723,358	\$ 236,614	\$ 233,218

See accompanying notes to financial statements.

Municipal Street	Nonmajor Governmental Funds	Total Governmental Funds
\$ 317,123	\$ 66,850	\$ 1,074,791
-	-	21,583
-	-	455,811
-	-	24,978
<u>\$ 317,123</u>	<u>\$ 66,850</u>	<u>\$ 1,577,163</u>
\$ 5,995	\$ 36	\$ 265,689
-	-	36,535
-	-	48,548
-	-	149
<u>5,995</u>	<u>36</u>	<u>350,921</u>
-	-	11,093
-	29,624	40,222
-	22	22
-	35,404	35,404
-	-	581,490
<u>311,128</u>	<u>1,764</u>	<u>558,011</u>
<u>311,128</u>	<u>66,814</u>	<u>1,226,242</u>
<u>\$ 317,123</u>	<u>\$ 66,850</u>	<u>\$ 1,577,163</u>

Village of Fowlerville

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balance - governmental funds **\$ 1,699,202**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,899,404	
Accumulated depreciation is	<u>(1,408,643)</u>	
Capital assets, net		1,490,761

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	370,380	
Net capital assets of Internal Service Funds included in total capital assets above	(204,649)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	<u>760</u>	
		166,491

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue		149
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds and capital lease payable	78,750	
Accrued interest payable	1,685	
Compensated absences	<u>85,382</u>	
		<u>(165,817)</u>

Net assets of governmental activities **\$ 3,190,786**

See accompanying notes to financial statements.

Village of Fowlerville

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	General	Major Street	Local Street
REVENUES			
Taxes	\$ 724,654	\$ -	\$ -
Licenses and permits	4,045	-	-
Intergovernmental	508,591	156,610	199,314
Charges for services	130,854	-	-
Fines and forfeits	1,762	-	-
Interest and rents	22,582	3,524	5,987
Other	98,781	-	-
TOTAL REVENUES	1,491,269	160,134	205,301
EXPENDITURES			
Current			
General government	334,257	-	-
Public safety	490,234	-	-
Public works	227,160	44,717	101,196
Recreation and cultural	46,069	-	-
Community and economic development	20,930	-	-
Other	302,003	-	-
Debt service	4,313	-	-
Capital outlay	17,764	160,489	228,933
TOTAL EXPENDITURES	1,442,730	205,206	330,129
EXCESS OF REVENUES OVER EXPENDITURES	48,539	(45,072)	(124,828)
OTHER FINANCING SOURCES (USES)			
Sale of cemetery lots	22,195	-	-
Perpetual care	9,728	-	-
Transfers in	-	100,000	90,000
Transfers out	-	(38,938)	-
TOTAL OTHER FINANCING SOURCES (USES)	31,923	61,062	90,000
NET CHANGE IN FUND BALANCES	80,462	15,990	(34,828)
Fund balances, beginning of year	489,433	54,190	209,767
Prior period adjustment	33,286	-	-
Fund balances, end of year	<u>\$ 603,181</u>	<u>\$ 70,180</u>	<u>\$ 174,939</u>

See accompanying notes to financial statements.

Municipal Street	Nonmajor Governmental Funds	Total Governmental Funds
\$ 209,591	\$ -	\$ 934,245
-	-	4,045
-	-	864,515
1,923	-	132,777
-	1,264	3,026
10,895	2,264	45,252
	7,826	106,607
222,409	11,354	2,090,467
-	-	334,257
-	14	490,248
20,284	-	393,357
-	-	46,069
-	-	20,930
-	-	302,003
-	38,938	43,251
-	-	407,186
20,284	38,952	2,037,301
202,125	(27,598)	53,166
-	-	22,195
-	-	9,728
-	44,755	234,755
(100,000)	(5,817)	(144,755)
(100,000)	38,938	121,923
102,125	11,340	175,089
209,003	55,474	1,017,867
-	-	33,286
\$ 311,128	\$ 66,814	\$ 1,226,242

Village of Fowlerville

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Net change in fund balances - total governmental funds **\$ 175,089**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$ (184,954)	
Capital outlay	<u>450,578</u>	
Excess of capital outlay over depreciation expense		265,624

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in Net Assets of Internal Service Funds	32,560	
Depreciation expense of Internal Service Funds included in the total above	62,007	
Capital outlay of Internal Service Funds included in the total above	(82,274)	
Change in long-term liabilities of Internal Service Funds included in the totals below	<u>(37,836)</u>	
		(25,543)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (11,255)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirement		91,586
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	761	
Decrease in accrued compensated absences	<u>2,719</u>	
		<u>3,480</u>

Change in net assets of governmental activities **\$ 498,981**

See accompanying notes to financial statements.

Village of Fowlerville
Proprietary Funds
STATEMENT OF NET ASSETS
June 30, 2006

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 965,626	\$ 473,810	\$ 1,439,436	\$ 172,780
Receivables				
Accounts	160,804	119,378	280,182	-
Special assessment	38,787	-	38,787	-
Inventory	-	19,234	19,234	-
Due from other funds	139,718	-	139,718	-
Total current assets	1,304,935	612,422	1,917,357	172,780
Noncurrent assets				
Capital assets, not being depreciated	3,485,448	557,726	4,043,174	-
Capital assets, net of accumulated depreciation	3,277,199	1,740,752	5,017,951	204,649
Total noncurrent assets	6,762,647	2,298,478	9,061,125	204,649
TOTAL ASSETS	8,067,582	2,910,900	10,978,482	377,429
LIABILITIES				
Current liabilities				
Accounts payable	933	13,261	14,194	5,812
Accrued liabilities	2,529	3,603	6,132	477
Accrued interest payable	11,386	-	11,386	-
Due to other funds	-	164,696	164,696	-
Due to other governmental units - local	-	2,206	2,206	-
Current portion of compensated absences	58	58	116	-
Current portion of long-term debt	100,000	13,710	113,710	-
Total current liabilities	114,906	197,534	312,440	6,289
Noncurrent liabilities				
Noncurrent portion of compensated absences	3,741	3,741	7,482	760
Noncurrent portion of long-term debt	3,100,000	26,238	3,126,238	-
Total noncurrent liabilities	3,103,741	29,979	3,133,720	760
TOTAL LIABILITIES	3,218,647	227,513	3,446,160	7,049
NET ASSETS				
Investment in capital assets, net of related debt	3,562,647	2,258,530	5,821,177	204,649
Unrestricted	1,286,288	424,857	1,711,145	165,731
TOTAL NET ASSETS	<u>\$ 4,848,935</u>	<u>\$ 2,683,387</u>	<u>\$ 7,532,322</u>	<u>\$ 370,380</u>

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2006

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
OPERATING REVENUES				
Charges for services	\$ 710,258	\$ 407,193	\$ 1,117,451	\$ 184,565
OPERATING EXPENSES				
Administrative	91,811	78,150	169,961	93,386
Wastewater operations	231,586	-	231,586	-
Water distribution	-	164,259	164,259	-
Depreciation	100,436	76,777	177,213	62,007
TOTAL OPERATING EXPENSES	423,833	319,186	743,019	155,393
OPERATING INCOME	286,425	88,007	374,432	29,172
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of equipment	-	-	-0-	199
Interest revenue	37,787	18,254	56,041	5,853
Interest expense and fiscal agent fees	(85,127)	(3,053)	(88,180)	(2,664)
TOTAL NONOPERATING REVENUES (EXPENSES)	(47,340)	15,201	(32,139)	3,388
CHANGE IN NET ASSETS	239,085	103,208	342,293	32,560
Net assets, beginning of year	4,609,850	2,580,179	7,190,029	337,820
Net assets, end of year	\$ 4,848,935	\$ 2,683,387	\$ 7,532,322	\$ 370,380

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 735,506	\$ 374,027	\$ 1,109,533	\$ 184,818
Cash paid to suppliers	(251,261)	(141,593)	(392,854)	(89,524)
Cash paid for employee benefits	(5,853)	(6,669)	(12,522)	(2,150)
Cash paid to employees	(55,067)	(80,207)	(135,274)	(22,300)
NET CASH PROVIDED BY OPERATING ACTIVITIES	423,325	145,558	568,883	70,844
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	(3,265,121)	(266,494)	(3,531,615)	(82,274)
Gain on sale of equipment	-	-	-0-	199
Bond proceeds	3,200,000	-	3,200,000	-
Principal payments	-	(12,849)	(12,849)	(37,836)
Interest expense and fees	(85,127)	(3,053)	(88,180)	(2,664)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(150,248)	(282,396)	(432,644)	(122,575)
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity of investments	488,455	-	488,455	-
Interest revenue	37,787	18,254	56,041	5,853
NET CASH PROVIDED BY INVESTING ACTIVITIES	526,242	18,254	544,496	5,853
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	799,319	(118,584)	680,735	(45,878)
Cash and cash equivalents, beginning of year	166,307	592,394	758,701	218,658
Cash and cash equivalents, end of year	<u>\$ 965,626</u>	<u>\$ 473,810</u>	<u>\$ 1,439,436</u>	<u>\$ 172,780</u>

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2006

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 286,425	\$ 88,007	\$ 374,432	\$ 29,172
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	100,436	76,777	177,213	62,007
(Increase) in accounts receivable	(10,292)	(34,251)	(44,543)	-
Decrease in special assessment receivable	23,166	-	23,166	-
Decrease in accrued interest receivable	76	253	329	253
Decrease in due from other funds	12,298	10,140	22,438	-
(Increase) in inventory	-	(9,308)	(9,308)	-
Decrease in prepaid expenses	514	873	1,387	-
Increase (decrease) in accounts payable	(336)	5,701	5,365	(4)
Increase (decrease) in accrued liabilities	(263)	60	(203)	(305)
Increase in accrued interest payable	11,386	-	11,386	-
Increase (decrease) in due to other funds	-	10,189	10,189	(20,281)
(Decrease) in due to other governmental units - local	-	(2,798)	(2,798)	-
Increase (decrease) in compensated absences	(85)	(85)	(170)	2
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 423,325</u>	<u>\$ 145,558</u>	<u>\$ 568,883</u>	<u>\$ 70,844</u>

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2006

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ 108,095	\$ 991,705	\$ 1,099,800
Due from other governmental units	-	243,767	243,767
Current portion of loans receivable	2,906	-	2,906
Total current assets	111,001	1,235,472	1,346,473
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	1,380,569	1,380,569
Noncurrent portion of loans receivable	20,367	-	20,367
Total noncurrent assets	20,367	1,380,569	1,400,936
TOTAL ASSETS	131,368	2,616,041	2,747,409
LIABILITIES			
Current liabilities			
Accounts payable	4,045	62,014	66,059
Accrued liabilities	233	38,525	38,758
Accrued interest payable	6,185	29,639	35,824
Current portion of long-term debt	55,000	165,000	220,000
Total current liabilities	65,463	295,178	360,641
Noncurrent liabilities			
Noncurrent portion of long-term debt	745,000	2,400,000	3,145,000
TOTAL LIABILITIES	810,463	2,695,178	3,505,641
NET ASSETS			
Invested in capital assets, net of related debt	-	(260,017)	(260,017)
Unrestricted net assets	(679,095)	180,880	(498,215)
TOTAL NET ASSETS	\$ (679,095)	\$ (79,137)	\$ (758,232)

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
Program Expenses			
Community and economic development	\$ 249,077	\$ 445,184	\$ 694,261
Program Revenues	<u>543</u>	<u>868,233</u>	<u>868,776</u>
NET PROGRAM EXPENSES	(248,534)	423,049	174,515
General Revenues			
Property taxes	238,180	553,593	791,773
Interest	<u>9,862</u>	<u>30,717</u>	<u>40,579</u>
TOTAL GENERAL REVENUES	<u>248,042</u>	<u>584,310</u>	<u>832,352</u>
CHANGE IN NET ASSETS	(492)	1,007,359	1,006,867
Net assets, beginning of the year	<u>(678,603)</u>	<u>(1,086,496)</u>	<u>(1,765,099)</u>
Net assets, end of the year	<u>\$ (679,095)</u>	<u>\$ (79,137)</u>	<u>\$ (758,232)</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Located in Livingston County, Michigan, Fowlerville is incorporated as a general law village in which citizens elect the council members and officers. The Village is not included in any other governmental "reporting entity", as defined by the *Government Accounting Standards Board* (GASB), since council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Village provides the following services, as authorized by its charter, to approximately 2,972 residents: public safety (police), public improvements (streets, sidewalks, sewers, and water system), planning and zoning, recreation and general administrative services. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Village of Fowlerville (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the Village's audit and are not audited separately.

2. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the Village of Fowlerville remains financially accountable for these entities or the nature and significance of the relationship between these entities and the Village of Fowlerville is such that exclusion of these entities would render the financial statements misleading or incomplete.

Downtown Development Authority (DDA) - The Authority is responsible for the management of property tax revenues captured in the DDA district within the Village boundaries. Members of the DDA board are appointed by the Village council and the council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the DDA.

Local Development Finance Authority (LDFA) - The Authority is responsible for the management of property tax revenues captured in the LDFA district in the Village boundaries. Members of the LDFA board are appointed by the Village council and the council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the LDFA.

3. Joint Venture

Fowlerville Area Fire Authority - The Fowlerville Area Fire Authority was created on January 1, 2005 by a joint venture agreement between the Townships of Handy, Iosco, and Conway and the Village of Fowlerville. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority's administrative offices. Each Township appoints one (1) member and the Village appoints one (1) member to the Board. The Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All activities of the primary government are included. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's major streets.
- c. The Local Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's local streets.
- d. The Municipal Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's municipal streets.
- e. The Sewer Fund is used to account for the operations required to providing sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.
- f. The Water Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Village Manager is required to submit to the Village Council a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund.
- b. Public hearings are conducted to obtain taxpayer comments.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- c. Prior to July 1, the budget is legally enacted through passage of a resolution.
- d. The Village Manager is authorized to transfer budget amounts of \$500 or less between departments within any fund with subsequent Council ratification. Any revisions altering the total expenditures of a particular fund must be approved by the Council. Annual appropriations lapse at fiscal year end.
- e. Budgets for the General and Special Revenue Funds are adopted on an activity basis and are consistent with accounting principles generally accepted in the United States of America.
- f. Budgeted amounts are reported as originally adopted or amended by the Village Council during the year.

8. Cash and Cash Equivalents

Cash consists of various savings and money market checking accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less. The cash and cash equivalents are recorded at cost, which approximates market value.

9. Property Tax

The Village of Fowlerville bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Fowlerville on July 1 and are payable without penalty through September 15. The July 1 levy is composed of the Village's millage, voted millage, and special assessments. All real property taxes not paid to the Village by the due date are turned over to the Livingston County Treasurer for collection. The Livingston County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection.

The Village is permitted to levy taxes up to 12.5 mills (\$12.50 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2006, the Village levied 8.5048 mills per \$1,000 of assessed valuation for general governmental services, .6802 for cemetery maintenance, 2.0409 for garbage service, 3.4017 for street lights and .4698 for mosquito control. The total Taxable Value for the 2005 levy for property within the Village was \$80,586,290.

10. Inventories

Inventories in the Enterprise Funds consist of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis.

11. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Compensated Absences

Village employees are granted sick/personal leave in varying amounts. In the event of termination, an employee is paid for portions of accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2006 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

Employees accrue vacation time throughout the year based on prior year's service. Vacation time must be used or lost, with limited exceptions.

13. Capital Assets

Capital assets include buildings, equipment, vehicles, and infrastructure, and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	10 - 40 years
Water system and improvements	7 - 50 years
Infrastructure	20 - 30 years

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Federal Programs

Federal programs are accounted for in the Special Revenue and Capital Projects funds. The Village has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

16. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2006, the carrying amounts of the Village's deposits were \$554,640 and the bank balance was \$1,727,882, of which \$300,000 was covered by federal depository insurance. The balance of \$1,427,882 was uninsured and uncollateralized. The Village had \$3,902 of imprest cash on hand.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Investments

As of June 30, 2006, the carrying amount and market value for the investment is as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Weighted Average Maturity</u>
Primary Government			
Uncategorized pooled investment funds			
Chase Bank - Government operating MM fund	\$ 2,128,465	\$ 1,873,111	28 days
Component Units			
Uncategorized pooled investment funds			
Chase Bank - Government operating MM fund	<u>1,099,800</u>	<u>503,583</u>	28 days
	<u>\$ 3,228,265</u>	<u>\$ 2,376,694</u>	

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Village's investment in the Government Operating Money Market Fund is rate AAA by Moody's.

Interest rate risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Concentration of credit risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business in accordance with Council approved policy.

The cash, cash equivalents, and investments referred to above have been reported in the cash and cash equivalents captions in the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2006:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	<u>\$ 2,687,007</u>	<u>\$ 1,099,800</u>	<u>\$ 3,786,807</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at June 30, 2006:

Due to General Fund from:		
Water Fund	\$	15,170
Due to nonmajor governmental fund from:		
Water Fund		9,808
Due to Sewer Fund from:		
Water Fund		<u>139,718</u>
Total interfund receivables and payables	\$	<u>164,696</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds, and component units have been eliminated.

Transfers to nonmajor governmental funds from:		
Sewer Fund	\$	45,000
Water Fund		45,000
Nonmajor governmental funds		<u>144,755</u>
	\$	<u>234,755</u>

The difference between transfers in and transfers out reflected in the financial statements of \$90,000 is due to the Enterprise Funds' recording of transfers to the Local Street Fund for purposes of funding capital projects as construction in progress or capital assets.

NOTE E: LONG-TERM CONTRACTS RECEIVABLE

The Village has several loans to individuals and businesses made through the Downtown Development Authority. The amounts attributable to these long-term contracts receivable have been recorded in the Downtown Development Authority Special Revenue Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from debtors that currently have signed promissory notes with the Village:

Year Ending June 30,	<u>Mortgages Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 2,906	\$ 921
2008	3,024	803
2009	3,146	680
2010	3,274	552
2011	3,407	419
2012-2015	<u>7,516</u>	<u>567</u>
	<u>\$ 23,273</u>	<u>\$ 3,942</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government

	Restated Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 149,932	\$ -	\$ -	\$ 149,932
Capital assets being depreciated				
Land improvements	242,549	-	-	242,549
Buildings	907,175	6,848	-	914,023
Vehicles	530,879	78,482	-	609,361
Machinery and equipment	618,291	5,413	-	623,704
Infrastructure	-	359,835	-	359,835
Subtotal	2,298,894	450,578	-0-	2,749,472
Accumulated depreciation				
Land improvements	(163,376)	(28,759)	-	(192,135)
Buildings	(293,824)	(36,589)	-	(330,413)
Vehicles	(327,312)	(64,424)	-	(391,736)
Machinery and equipment	(439,177)	(53,183)	-	(492,360)
Infrastructure	(-)	(1,999)	-	(1,999)
Subtotal	(1,223,689)	(184,954)	-0-	(1,408,643)
Net capital assets being depreciated	<u>1,075,205</u>	<u>265,624</u>	<u>-0-</u>	<u>1,340,829</u>
Total net capital assets	<u>\$ 1,225,137</u>	<u>\$ 265,624</u>	<u>\$ -0-</u>	<u>\$ 1,490,761</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 79,539
Public safety	19,098
Public works	74,829
Recreation and cultural	<u>11,488</u>
Total depreciation expense	<u>\$ 184,954</u>

	Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 422,763	\$ 106,744	\$ -	\$ 529,507
Construction in progress	<u>512,398</u>	<u>3,347,138</u>	<u>(345,869)</u>	<u>3,513,667</u>
Subtotal	935,161	3,453,882	(345,869)	4,043,174

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Business-type activities - continued				
Capital assets being depreciated				
Buildings	\$ 210,308	\$ 7,958	\$ -	\$ 218,266
Machinery and equipment	416,270	-	-	416,270
Vehicles	51,986	-	-	51,986
Sewer system	4,008,554	138,363	-	4,146,917
Water system	<u>2,434,438</u>	<u>277,281</u>	<u>-</u>	<u>2,711,719</u>
Subtotal	7,121,556	423,602	-0-	7,545,158
Less accumulated depreciation				
Buildings	(150,629)	(4,606)	-	(155,235)
Machinery and equipment	(302,952)	(29,586)	-	(332,538)
Vehicles	(6,301)	(7,426)	-	(13,727)
Sewer system	(952,300)	(66,689)	-	(1,018,989)
Water system	<u>(937,812)</u>	<u>(68,906)</u>	<u>-</u>	<u>(1,006,718)</u>
Subtotal	<u>(2,349,994)</u>	<u>(177,213)</u>	<u>-0-</u>	<u>(2,527,207)</u>
Net capital assets being depreciated	<u>4,771,562</u>	<u>(246,389)</u>	<u>-0-</u>	<u>5,017,951</u>
Total net capital assets	<u>\$ 5,706,723</u>	<u>\$ 3,700,271</u>	<u>\$ (345,869)</u>	<u>\$ 9,061,125</u>

Component Unit

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Local Development Finance Authority				
Capital assets not being depreciated				
Construction in progress	\$ 150,538	\$ 1,240,067	\$ (150,538)	\$ 1,240,067
Capital assets being depreciated				
Infrastructure	-	150,538	-	150,538
Less accumulated depreciation				
Infrastructure	<u>-</u>	<u>(10,036)</u>	<u>-</u>	<u>(10,036)</u>
Net capital assets being depreciated	<u>-0-</u>	<u>140,502</u>	<u>-0-</u>	<u>140,502</u>
Total net capital assets	<u>\$ 150,538</u>	<u>\$ 1,380,569</u>	<u>\$ (150,538)</u>	<u>\$ 1,380,569</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Transportation Bonds	\$ 70,000	\$ -	\$ 35,000	\$ 35,000	\$ 35,000
Livingston County Drain Bond	62,500	-	18,750	43,750	18,750
Capital Lease	37,836	-	37,836	-0-	-
Compensated Absences	88,101	-	2,719	85,382	4,917
	258,437	-0-	94,305	164,132	58,667
Business-type Activities					
Sewer Fund					
2005 Sewer Improvement Bonds	-	3,200,000	-	3,200,000	100,000
Compensated absences	3,884	-	85	3,799	58
Water Fund					
Land Contract	52,797	-	12,849	39,948	13,710
Compensated Absences	3,884	-	85	3,799	58
	60,565	3,200,000	13,019	3,247,546	113,826
TOTAL PRIMARY GOVERNMENT	319,002	3,200,000	107,324	3,411,678	172,493
COMPONENT UNITS					
Downtown Development Authority					
2002 General Obligation Bonds	855,000	-	55,000	800,000	55,000
Local Development Finance Authority					
Local Development Bonds - 2005	-	1,430,000	-	1,430,000	50,000
Local Development Bonds - 2001	815,000	-	50,000	765,000	50,000
Local Development Bonds - 1998	480,000	-	110,000	370,000	115,000
	1,295,000	1,430,000	160,000	2,565,000	215,000
TOTAL COMPONENT UNITS	2,150,000	1,430,000	215,000	3,365,000	270,000
TOTAL REPORTING ENTITY	<u>\$ 2,469,002</u>	<u>\$ 4,630,000</u>	<u>\$ 322,324</u>	<u>\$ 6,776,678</u>	<u>\$ 442,493</u>

Village of Fowlerville
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE G: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligation Bonds

1991 Michigan Transportation Bond issue of \$345,000, due in annual installments of \$35,000 plus interest through 2006, with interest of 7.00 percent.	\$ 35,000
Livingston County Drain #4 Bond issue of \$312,500, due in annual installments ranging from \$12,500 to \$18,500 plus interest through 2020, with interest at 7.70 percent.	43,750
2005 Sewer Improvement Bond issue of \$3,200,000, due in annual installments ranging from \$100,000 to \$235,000 plus interest through 2026, with interest ranging from 3.90 to 5.00 percent	<u>3,200,000</u>
	<u>\$ 3,278,750</u>

Municipal Purchase Contracts

The following loans are considered installment purchases under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan Department of Treasury approval:

Land contract of \$99,000 with monthly installments of principal and interest of \$1,325 through 2009, with interest at 6.5 percent.	<u>\$ 39,948</u>
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COMPONENT UNITS

General Obligation Bonds

1998 Van Riper Road Extension Bond issue of \$990,000, due in annual installments ranging from \$115,000 to \$130,000 plus interest through 2008, with interest ranging from 6.10 to 6.20 percent.	\$ 370,000
2001 Garden Lane Extension Bond issue of \$990,000, due in monthly installments ranging from \$50,000 to \$100,000 plus interest through 2016, with interest ranging from 4.10 to 5.00 percent.	765,000
2002 Development Bond issue of \$990,000, due in monthly installments ranging from \$55,000 to \$90,000 plus interest through 2016, with interest ranging from 4.20 to 5.00 percent.	800,000
2005 Local Development Bond issue of \$1,430,000, due in monthly installments ranging from \$50,000 to \$185,000 plus interest through 2016, with interest ranging from 4.00 to 4.50 percent.	<u>1,430,000</u>
	<u>\$ 3,365,000</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE G: LONG-TERM DEBT - CONTINUED

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick leave. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$92,980 at June 30, 2006. Of this amount, \$7,598 and \$760 are recorded as liabilities within the Enterprise and Internal Service fund types, respectively, in accordance with criteria disclosed in Note A.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

Primary Government

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 153,750	\$ 137,855	\$ 13,710	\$ 2,193
2008	117,500	132,730	14,628	1,275
2009	122,500	128,635	11,610	317
2010	115,000	62,173	-	-
2011	120,000	59,901	-	-
2012-2016	695,000	464,311	-	-
2017-2021	870,000	321,596	-	-
2022-2026	<u>1,085,000</u>	<u>131,311</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,278,750</u>	<u>\$ 1,438,512</u>	<u>\$ 39,948</u>	<u>\$ 3,785</u>

Component Units

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 270,000	\$ 106,854
2008	285,000	99,061
2009	305,000	90,908
2010	320,000	69,760
2011	330,000	71,440
2012-2016	1,765,000	241,075
2017	<u>90,000</u>	<u>-</u>
	<u>\$ 3,365,000</u>	<u>\$ 679,098</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE H: RETIREMENT PLAN

Plan Description

The Village of Fowlerville approved participation in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Village of Fowlerville. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for eligible employees was established by the Village Council. The plan requires no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2006, the Village of Fowlerville's annual pension cost of \$43,384 for the plan was equal to the Village of Fowlerville's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	As of December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 2,238,051	\$ 2,373,181	\$ 2,537,778
Actuarial accrued liability (AAL) (entry age)	1,951,683	2,179,046	2,475,223
Unfunded (overfunded) AAL	(286,368)	(194,135)	(62,555)
Funded ratio	115 %	109 %	103 %
Covered payroll	596,198	638,086	491,201
UAAL as a percentage of covered payroll	-0 %	-0 %	-0 %
	Year Ended June 30,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ -0-	\$ 26,957	\$ 43,384
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-0-	-0-	-0-

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE I: RISK MANAGEMENT

The Village participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The pool is responsible to pay all claims that are within insured limits. The Village has no responsibility for additional assessments based on the claims as filed against the pool nor do they have any right to dividends.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE J: FUND EQUITY RESERVES

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2006:

Fund Balances

General Fund	
Reserved for refuse collection	\$ 11,093
Reserved for cemetery maintenance	<u>10,598</u>
	21,691
Debt Service Funds	
1991 Transportation Bond Debt	
Reserved for debt service	22
Capital Project Funds	
Van Riper Road Improvement	
Reserved for capital projects	35,404
Permanent Fund	
Greenwood Cemetery Fund	
Reserved for cemetery maintenance	<u>29,624</u>
	<u>\$ 86,741</u>

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2006:

PRIMARY GOVERNMENT

Governmental activities	
Restricted for	
Streets	<u>\$ 245,119</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE L: CONTRACTUAL COMMITMENTS

The Village has entered into various contracts related to infrastructure improvements that were not completed at June 30, 2006. The contractual commitments outstanding at June 30, 2006 totaled \$326,281. The Village plans to cover these commitments with property tax revenue and existing fund equity.

The Village has also entered into a contract to construct an elevated water storage tank that was not completed at June 30, 2006. The contractual commitment outstanding at June 30, 2006 totaled \$595,381. The Village plans to cover this commitment with existing fund equity.

NOTE M: RESTATED NET ASSETS

Beginning net assets were restated to correctly reflect the amount of capital assets, net of accumulated depreciation, on the Statement of Net Assets as of June 30, 2006 and to correct overstated contracts payable. Net assets were decreased by \$319,320.

NOTE N: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the current period, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund equity. The effect on operations and other affected balances for the current year and prior period are as follows:

	June 30,		
	<u>2006</u>	<u>2005</u>	<u>Description</u>
PRIMARY GOVERNMENT			
Governmental Funds			
General Fund			
Contracts payable	\$ -	\$(22,207)	To correct overstated
Revenues over (under) expenditures	-	22,207	contracts payable
Fund balance - beginning	22,207	-	
Deferred revenue	-	(11,079)	To correct overstated
Revenues over (under) expenditures	-	11,079	deferred revenue
Fund balance - beginning	11,079	-	

REQUIRED SUPPLEMENTARY INFORMATION

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 870,000	\$ 730,035	\$ 724,654	\$ (5,381)
Licenses and permits	17,200	2,300	4,045	1,745
Intergovernmental - Federal/State				
Federal/State	267,200	341,000	343,591	2,591
Local	-	165,000	165,000	-0-
Total intergovernmental	267,200	506,000	508,591	2,591
Charges for services	145,350	125,750	130,854	5,104
Fines and forfeits	2,300	1,650	1,762	112
Interest and rents	9,500	20,000	22,582	2,582
Other	40,200	92,700	98,781	6,081
TOTAL REVENUES	1,351,750	1,478,435	1,491,269	12,834
OTHER FINANCING SOURCES				
Sale of cemetery lots	-	21,000	22,195	1,195
Perpetual care	-	11,000	9,728	(1,272)
Transfers in	-	500	-	(500)
TOTAL OTHER FINANCING SOURCES	-0-	32,500	31,923	(577)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,351,750</u>	<u>\$ 1,510,935</u>	<u>\$ 1,523,192</u>	<u>\$ 12,257</u>

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government				
Legislative	\$ 27,000	\$ 26,000	\$ 23,095	\$ 2,905
Executive	6,800	6,800	5,654	1,146
Elections	200	200	-	200
Finance and administration	147,300	153,000	148,973	4,027
Cemetery operations	75,800	81,800	74,385	7,415
Village hall and grounds	71,750	69,550	69,250	300
Other	12,900	12,900	12,900	-0-
Total general government	341,750	350,250	334,257	15,993
Public Safety				
Police department	485,805	508,600	490,234	18,366
Public Works				
Refuse collection	113,300	136,800	125,206	11,594
Sanitary landfill	50,450	56,450	53,410	3,040
Drain at large	25,000	18,750	18,750	-0-
Mosquito control	28,600	30,100	29,794	306
Total public works	217,350	242,100	227,160	14,940
Recreation and cultural				
Recreation	41,200	46,300	46,069	231
Community and economic development				
Planning commission	32,600	27,950	20,930	7,020
Capital outlay	-	18,575	17,764	811
Debt service				
Interest	-	4,313	4,313	-0-
Other				
Fringe benefits	144,300	320,700	302,003	18,697
TOTAL EXPENDITURES	<u>\$ 1,263,005</u>	<u>\$ 1,518,788</u>	<u>\$ 1,442,730</u>	<u>\$ 76,058</u>

Village of Fowlerville

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - Federal/State	\$ 162,000	\$ 149,000	\$ 156,610	\$ 7,610
Interest and rents	1,000	2,500	3,524	1,024
TOTAL REVENUES	163,000	151,500	160,134	8,634
EXPENDITURES				
Current				
Public works	86,050	75,550	44,717	30,833
Capital outlay	39,500	190,000	160,489	29,511
TOTAL EXPENDITURES	125,550	265,550	205,206	60,344
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	37,450	(114,050)	(45,072)	68,978
OTHER FINANCING SOURCES (USES)				
Transfers in	-	100,000	100,000	-0-
Transfers out	(37,450)	(38,938)	(38,938)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	(37,450)	61,062	61,062	-0-
NET CHANGE IN FUND BALANCE	-0-	(52,988)	15,990	68,978
Fund balance, beginning of year	54,190	54,190	54,190	-0-
Fund balance, end of year	<u>\$ 54,190</u>	<u>\$ 1,202</u>	<u>\$ 70,180</u>	<u>\$ 68,978</u>

Village of Fowlerville

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - Federal/State	\$ 46,500	\$ 222,165	\$ 199,314	\$ (22,851)
Interest and rents	100	5,000	5,987	987
TOTAL REVENUES	46,600	227,165	205,301	(21,864)
EXPENDITURES				
Current				
Public works	163,250	128,000	101,196	26,804
Capital outlay	-	300,000	228,933	71,067
TOTAL EXPENDITURES	163,250	428,000	330,129	97,871
EXCESS OF REVENUES (UNDER) EXPENDITURES	(116,650)	(200,835)	(124,828)	76,007
OTHER FINANCING SOURCES				
Transfers in	100,000	60,000	90,000	30,000
NET CHANGE IN FUND BALANCE	(16,650)	(140,835)	(34,828)	106,007
Fund balance, beginning of year	209,767	209,767	209,767	-0-
Fund balance, end of year	\$ 193,117	\$ 68,932	\$ 174,939	\$ 106,007

Village of Fowlerville

Municipal Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 204,000	\$ 209,500	\$ 209,591	\$ 91
Charges for services	1,500	-	1,923	1,923
Interest and rents	4,000	11,000	10,895	(105)
TOTAL REVENUES	209,500	220,500	222,409	1,909
EXPENDITURES				
Current				
Public works	32,800	27,500	20,284	7,216
EXCESS OF REVENUES OVER EXPENDITURES	176,700	193,000	202,125	9,125
OTHER FINANCING USES				
Transfers out	(100,000)	(100,000)	(100,000)	-0-
NET CHANGE IN FUND BALANCE	76,700	93,000	102,125	9,125
Fund balance, beginning of year	209,003	209,003	209,003	-0-
Fund balance, end of year	<u>\$ 285,703</u>	<u>\$ 302,003</u>	<u>\$ 311,128</u>	<u>\$ 9,125</u>

OTHER SUPPLEMENTARY INFORMATION

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2006

	Special Revenue	Debt Service	
	Drug Law Enforcement	1990 Bond Debt Retirement	1991 Transportation Bond Debt
ASSETS			
Cash and cash equivalents	\$ 1,800	\$ -	\$ 22
Due from other governmental units			
Federal/State	-	-	-
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ 1,800</u>	<u>\$ -0-</u>	<u>\$ 22</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 36	\$ -	\$ -
Accrued liabilities	-	-	-
TOTAL LIABILITIES	36	-0-	-0-
Fund balances			
Reserved for:			
Cemetery maintenance	-	-	-
Debt service	-	-	22
Capital projects	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	1,764	-	-
TOTAL FUND BALANCES	<u>1,764</u>	<u>-0-</u>	<u>22</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,800</u>	<u>\$ -0-</u>	<u>\$ 22</u>

Capital Projects	Permanent	Total Nonmajor Governmental Funds
Van Riper Road Improvement	Greenwood Cemetery	
\$ 35,404	\$ 29,624	\$ 66,850
-	-	-
-	-	-
<u>\$ 35,404</u>	<u>\$ 29,624</u>	<u>\$ 66,850</u>
\$ -	\$ -	36
-	-	-
-0-	-0-	36
-	29,624	29,624
-	-	22
35,404	-	35,404
-	-	1,764
<u>35,404</u>	<u>29,624</u>	<u>66,814</u>
<u>\$ 35,404</u>	<u>\$ 29,624</u>	<u>\$ 66,850</u>

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	Special Revenue	Debt Service	
	Drug Law Enforcement	1990 Bond Debt Retirement	1991 Transportation Bond Debt
REVENUES			
Fines and forfeits	\$ 1,264	\$ -	\$ -
Interest and rents	57	116	1
Other	325	-	-
TOTAL REVENUES	1,646	116	1
EXPENDITURES			
Current			
Public safety	14	-	-
Debt service	-	-	38,938
TOTAL EXPENDITURES	14	-0-	38,938
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,632	116	(38,937)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	38,938
Transfers out	-	(5,817)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(5,817)	38,938
NET CHANGE IN FUND BALANCES	1,632	(5,701)	1
Fund balances, beginning of year	132	5,701	21
Fund balances, end of year	\$ 1,764	\$ -0-	\$ 22

<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Van Riper Road Improvement</u>	<u>Greenwood Cemetery</u>	
\$ -	\$ -	\$ 1,264
1,213	877	2,264
-	7,501	7,826
1,213	8,378	11,354
-	-	14
-	-	38,938
-0-	-0-	38,952
1,213	8,378	(27,598)
5,817	-	44,755
-	-	(5,817)
5,817	-0-	38,938
7,030	8,378	11,340
28,374	21,246	55,474
<u>\$ 35,404</u>	<u>\$ 29,624</u>	<u>\$ 66,814</u>

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2006

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 108,095
Loans receivable	<u>23,273</u>
 TOTAL ASSETS	 <u>\$ 131,368</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 4,045
Accrued wages	233
Deferred revenue	<u>23,273</u>
 Total liabilities	 27,551
 FUND BALANCE	
Unreserved - undesignated	<u>103,817</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 131,368</u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2006

Total fund balance - governmental fund **\$ 103,817**

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		23,273
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Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	\$ 800,000	
Accrued interest payable	<u>6,185</u>	
		<u>(806,185)</u>

Net assets of governmental activities		\$ <u>(679,095)</u>
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Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2006

	Special Revenue
REVENUES	
Taxes	\$ 238,180
Interest	<u>9,862</u>
TOTAL REVENUES	248,042
EXPENDITURES	
Community and economic development	
Salaries	\$ 9,696
Fringe benefits	3,321
Contracted services	43,438
Supplies	5,204
Printing and publishing	1,334
Repairs and maintenance	12,480
Bad debt expense	15,631
Capital outlay	104,843
Debt service	<u>93,515</u>
TOTAL EXPENDITURES	<u>289,462</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(41,420)
Fund balance, beginning of year	<u>145,237</u>
Fund balance, end of year	<u><u>\$ 103,817</u></u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2006

Net change in fund balance - governmental fund	\$	(41,420)
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Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		(14,457)
--	--	----------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	55,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>385</u>
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Change in net assets of governmental activities	\$	<u>(492)</u>
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Village of Fowlerville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2006

	Special Revenue	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 67,291	\$ -	\$ 924,414	\$ 991,705
Due from other governmental units				
Federal/State	-	-	243,767	243,767
TOTAL ASSETS	\$ 67,291	\$ -0-	\$ 1,168,181	\$ 1,235,472
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 62,014	\$ 62,014
Other accrued liabilities	-	-	38,525	38,525
TOTAL LIABILITIES	-0-	-0-	100,539	100,539
FUND BALANCES				
Reserved for capital projects	-	-	1,067,642	1,067,642
Unreserved				
Undesignated, reported in:				
Special revenue funds	67,291	-	-	67,291
TOTAL FUND BALANCES	67,291	-0-	1,067,642	1,134,933
TOTAL LIABILITIES AND FUND BALANCES	\$ 67,291	\$ -0-	\$ 1,168,181	\$ 1,235,472

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2006

Total fund balance - governmental funds **\$ 1,134,933**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 1,390,605	
Accumulated depreciation is	<u>(10,036)</u>	
		1,380,569

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	\$ 2,565,000	
Accrued interest payable	<u>29,639</u>	
		<u>(2,594,639)</u>

Net assets of governmental activities **\$ (79,137)**

Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2006

	Special Revenue	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
REVENUES				
Taxes	\$ 553,593	\$ -	\$ -	\$ 553,593
Intergovernmental	-	-	868,233	868,233
Interest	7,455	-	23,262	30,717
TOTAL REVENUES	561,048	-0-	891,495	1,452,543
EXPENDITURES				
Community and economic development				
Salaries	4,795	-	-	4,795
Fringe benefits	454	-	-	454
Contracted services	11,381	-	-	11,381
Printing and publishing	1,450	-	-	1,450
Payments to primary government	224,341	-	-	224,341
Other	1,525	-	-	1,525
Debt service	224,178	16,710	-	240,888
Capital outlay	76,248	-	1,253,853	1,330,101
TOTAL EXPENDITURES	544,372	16,710	1,253,853	1,814,935
EXCESS OF REVENUES (UNDER) EXPENDITURES	16,676	(16,710)	(362,358)	(362,392)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	1,430,000	1,430,000
Transfers in	-	16,710	-	16,710
Transfers out	(16,710)	-	-	(16,710)
TOTAL OTHER FINANCING SOURCES (USES)	(16,710)	16,710	1,430,000	1,430,000
NET CHANGE IN FUND BALANCES	(34)	-0-	1,067,642	1,067,608
Fund balance, beginning of year	67,325	-	-	67,325
Fund balance, end of year	\$ 67,291	\$ -0-	\$ 1,067,642	\$ 1,134,933

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2006

Net change in fund balances - total governmental funds **\$ 1,067,608**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,240,067	
Depreciation expense	<u>(10,036)</u>	
Excess of capital outlay over depreciation expense		1,230,031

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	160,000	
Bond proceeds	<u>(1,430,000)</u>	
		(1,270,000)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable		<u>(20,280)</u>
--	--	-----------------

Change in net assets of governmental activities **\$ 1,007,359**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable President and
Members of the Village Council
Village of Fowlerville
Fowlerville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Fowlerville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Fowlerville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village of Fowlerville, Michigan, in a separate letter dated October 6, 2006.

This report is intended solely for the information and use of management and the Village Council of the Village of Fowlerville, Michigan, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 6, 2006

**Village of Fowlerville
Livingston County, Michigan**

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2006

Village of Fowlerville

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Principals

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable President and
Members of the Village Council
Village of Fowlerville
Fowlerville, Michigan

Compliance

We have audited the compliance of the Village of Fowlerville with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Village of Fowlerville's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Fowlerville's management. Our responsibility is to express an opinion on the Village of Fowlerville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Fowlerville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Fowlerville's compliance with those requirements.

In our opinion, the Village of Fowlerville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Village of Fowlerville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Fowlerville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville as of and for the year ended June 30, 2006, and have issued our report thereon dated October 6, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fowlerville's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Village Council of the Village of Fowlerville, the pass-through grantors, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 6, 2006

Village of Fowlerville, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through the Michigan Economic Development Corporation				
Infrastructure project	14.228	MSC 2004002-EDIG	\$ 750,000	\$ 750,000
Sewer system improvements	14.228	MSC 204039-PW	<u>155,000</u>	<u>155,000</u>
			<u>\$ 905,000</u>	<u>\$ 905,000</u>

Village of Fowlerville

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2006

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Village of Fowlerville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are reconciled in Note B.

NOTE B: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the June 30, 2006 Basic Financial Statements to the expenditures of the Village administered federal programs reported on the Schedule of Expenditures of Federal Awards.

	<u>Federal/ State/Local Revenue</u>	<u>Less State/Local Revenue</u>	<u>Federal Expenditures</u>
Primary Government			
GENERAL FUND	\$ 508,591	\$ 508,591	\$ -0-
SPECIAL REVENUE FUNDS			
Local Street Fund	199,314	44,314	155,000
Other Funds	156,610	156,610	-0-
Local Development Finance Authority			
CAPITAL PROJECTS FUND			
Water Tower/Gregory Road Fund	<u>868,233</u>	<u>118,233</u>	<u>750,000</u>
	<u>\$ 1,732,748</u>	<u>\$ (827,748)</u>	<u>\$ 905,000</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable President and
Members of the Village Council
Village of Fowlerville
Fowlerville, Michigan

We have audited the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Fowlerville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Fowlerville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Village of Fowlerville, Michigan, in a separate letter dated October 6, 2006.

This report is intended solely for the information and use of management and the Village Council of the Village of Fowlerville, the pass-through grantors, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 6, 2006

Village of Fowlerville

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grant / State's Program (State-Administered Small Cities Program)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Village of Fowlerville

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2006

There were no findings disclosed for the past two years.

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MANAGEMENT LETTER

To the Honorable President and
Members of the Village Council
Village of Fowlerville
Fowlerville, Michigan

As you know, we have recently completed our audit of the records of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2006. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The Village should ensure that utility billing aging reports are retained.

During the course of our audit, we noted aging receivable reports for utility billings could not be located or printed from the computer system. This issue had been noted and reported in our audit comments last year.

We suggest the Village develop and implement a record keeping system whereby Village personnel generate aging reports from the utility billing system and retain those reports for audit purposes.

We are aware that the Village recently converted to new financial accounting software. Based on discussions with management and our preliminary review of the new accounting software's capabilities, it appears as though generating historic reports from the system will not be an issue in future years' audits.

2. The Village should ensure that amounts owed at year end are included in the accounts payable balance recorded in the general ledger.

During the course of our audit and through discussions with management, we noted that the Village's general ledger did not include a balance for "accounts payable". Because of the limitations of the prior accounting software, invoices that were paid subsequent to the end of the fiscal year were backdated to June 30, 2006. By backdating the payment of invoices, the Village's cash and accounts payable balances were misstated. Through the audit process, correcting journal entries were suggested to management to appropriately reflect both cash and accounts payable balances in the Village's financial statements.

We suggest the Village ensure all amounts owed and unpaid at year end are properly shown as a liability in the general ledger.

Based on discussions with management and our preliminary review of the new accounting software's capabilities, it appears as though the Village's new accounting software has the capability of processing accounts payable transactions in the appropriate manner.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated October 6, 2006.

This report is intended solely for the information of management and the President and Members of the Village Council of the Village of Fowlerville and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 6, 2006